

Message Text

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11

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 6112

INFO AMEMBASSY TAIPEI

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USLO PEKING

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E.O. 11652: N/A

TAGS: EIND, EMIN, CH

SUBJECT: PEKING CONTINUES TO EMPHASIZE STEEL

SUMMARY: AN ARTICLE IN JULY'S RED FLAG, THE IMPORTANT THEORETICAL JOURNAL FOR CADRES, HIGHLIGHTS PEKING'S CURRENT CONCERN WITH THE TROUBLED IRON AND STEEL INDUSTRY. INCREASED STEEL PRODUCTION IS MADE AN ISSUE OF GREAT NATIONAL IMPORTANCE. TO ACHIEVE THE INCREASES, PEKING CALLS ON THE ONE HAND FOR WORKER UNITY AND ENTHUSIASM AND ON THE OTHER FOR BUILDING UP BETTER MANAGERS TO USE THE MAJOR ISSUE OF INTERNAL FACTORS, I.E. A MASS CAMPAIGN, TO OVERCOME "EXTERNAL CONDITIONS," PRESUMABLY A REFERENCE TO COAL AND IRON ORE SHORTAGES. IF THE SITUATION IS IMPROVED, PEKING MAY BOOST STEEL PRODUCTION OVER 1973'S 25.5 MILLION TON FIGURE.
END SUMMARY

1. FROM THE ECONOMIC POINT OF VIEW, PEKING'S CLEAR CONCERN IN THE RED FLAG ARTICLE IS THAT IN THE IRON AND STEEL INDUSTRY, "THE MOST IMPORTANT BASIC INDUSTRY," THE "FAIRLY GREAT POTENTIAL
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FOR INCREASED PRODUCTION" IS NOT BEING REALIZED. THE STAGNA-

TION IN STEEL PRODUCTION AND CONSTRUCTION IS BLAMED ON INSUFFICIENT ATTENTION TO THE DICTATORSHIP OF THE PROLETARIAT, WHICH HAS ALLOWED BOURGEOIS IDEAS (SUCH AS PRESSURE FOR WAGE INCREASES) AND FACTIONALISM TO BECOME RAMPANT. IN THE PAST, WORKERS AND STAFF ACHIEVE NEW LEVELS IN QUANTITY OF STEEL PRODUCTION THROUGH RELIANCE ON THEIR OWN EFFORTS, AND WORKING HARD. IMPLICITLY, THIS SAME BASIC FORMULA IS AGAIN RECOMMENDED AS "THE LINE" TO BOOST STEEL PRODUCTION, BUT THIS TIME WITH THE TWIST OF TIGHTER WORK DISCIPLINE THROUGH CADRES GRASPING THE DICTATORSHIP OVER THE BOURGEOISIE.

2. SEVERAL FACTORS ARE LISTED WHICH BEAR ON ACCELERATING THE DEVELOPMENT. ONE FACTOR, A NEGATIVE ONE, IS REPRESSION OF BOURGEOIS FACTIONALISM. ANOTHER FACTOR, AN ACTIVE ONE, IS THAT OF BUILDING A STRONG CORE OF LEADERSHIP TO OVERCOME THE PRESENT PASSIVE AND HESITANT ATTITUDE OF SOME CADRES. THESE CADRES ARE ACCUSED OF NOT PROPERLY RESPONDING WHEN EXTERNAL CONDITIONS IMPROVE. MOREOVER, THEY DO NOT REALIZE THAT THE MAJOR ISSUE IS THAT INTERNAL CAUSES ARE THE BASIS OF CHANGE IN THE STEEL SITUATION, RATHER THAN PRODUCTION BEING DEPENDENT ON EXTERNAL CONDITIONS BEYOND THEIR CONTROL. THE ARTICLE EXHORTS CADRES THAT "WE MUST CARRY OUT MANAGEMENT OF ENTERPRISES WELL." THIS MEANS THAT CADRES SHOULD SEE WHAT SOCIALIST MANAGEMENT IS, AVOIDING WORKER CONTROL AND REPRESSION, WHILE NOT HESITATING TO TAKE THE INITIATIVE (AN EXTREMELY DIFFICULT REQUIREMENT INDEED*)

3. THE ARTICLE ENDS, HOWEVER, BY STRESSING THAT PARTICULAR ATTENTION MUST BE PAID TO MINING AND MAINTENANCE TO CREATE FAVORABLE CONDITIONS FOR PRODUCTION.

4. COMMENT: CALLS FOR BETTER MANAGEMENT IS NOT SURPRISING, AS MANAGEMENT DIFFICULTIES ARE ENDEMIC TO CHINESE HEAVY INDUSTRY, WITH STEEL NO EXCEPTION. THE STEEL INDUSTRY'S ALMOST 11 PERCENT AVERAGE ANNUAL GROWTH RATE DURING THE DECADE PRECEEDING 1974 MAY WELL HAVE RESULTED IN SOME MANAGERS THAT ARE RELATIVELY INEXPERIENCED AND DIFFIDENT IN HANDLING LABOR UNREST. A COMMON CHINESE MANAGEMENT PROBLEM INSIDE THE PLANT IS DIFFICULTY IN SCHEDULING WORK AND RAW MATERIALS FLOWS, WHICH MAY BE ACCEPTABLE IN SMALLER MANUFACTURING PLANTS, LIMITED OFFICIAL USE

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BUT CAN BE QUITE DISRUPTIVE IN A COMPLEX MAJOR STEEL PLANT. NATURALLY, IN AN ALREADY DISRUPTED SITUATION, SUCH AS THAT OF CERTAIN PRC STEEL PLANTS, GREATER MANAGERIAL SKILLS WOULD BE REQUIRED.

5. THE REFERENCE TO EXTERNAL CONDITIONS HAVING IMPROVED MAY REFER TO PREVIOUS COAL SHORTAGES. YET PEKING, PERHAPS SIGNIFICANTLY, ENDS BY CALLING ON CADRES TO PAY PARTICULAR ATTENTION TO THE TWO

WEAKEST PARTS OF THE STEEL PRODUCTION PROCESS, MINING (OF COAL AND IRON ORE) AND MAINTENANCE OF MACHINERY, BUT ESPECIALLY OF STEEL FINISHING EQUIPMENT. NEITHER THE MINING NOR FINISHING SECTORS ARE REALLY ABLE TO MEET FULLY THE DEMANDS PLACED ON THEM (JEC-1975 ECONOMIC REASSESSMENT).

6. WHILE THERE IS A LONG TERM NEED FOR INCREASES IN ALL PARTS OF THE IRON AND STEEL INDUSTRY THE PRESENT ATTENTION APPEARS TO BE AN IMMEDIATE OR SHORT TERM RESPONSE TO A PRESENT LACK OF OUTPUT. WITH REDUCTION OF LABOR UNREST AND WITH RATIONAL MANAGEMENT TO ENSURE ADEQUATE RAW MATERIALS SUPPLIES AND PROPER ATTENTION TO MAINTENANCE, THE CHINESE SHOULD BE ABLE TO PRODUCE SOMEWHAT OVER THE 1973 STEEL OUTPUT LEVELS, PERHAPS UP TO 27 MILLION TONS.
CROSS

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